



MOSS ADAMS<sub>LLP</sub>

Seattle Public Utilities  
2010 Audit Plan  
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## Scope of Audits

- Role of auditor and SPU management
- Concept of materiality
- Reports to be issued:
  - Report on audit of financial statements
    - Water
    - Drainage & Wastewater
    - Solid Waste
  - Report on Internal Control, if significant deficiencies or material weaknesses are noted
  - Letter of recommendations and observations on internal controls and related matters

## Timing of Audits

- Planning procedures and interim testing are complete
- Substantive audit fieldwork is scheduled for March 7 through April 8, 2011
- We plan to issue our audit reports by April 29, 2011
- Council Committee presentation planned for May 2011
  - Required communications will be made
  - Review of audit opinions and other reports issued

## New Accounting Pronouncements Applicable to SPU

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
  - Establishes accounting/reporting requirements for intangible assets
  - Effective for SPU in 2010
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*
  - Requires fair value recording of derivative instruments in most circumstances, rather than just note disclosure
  - Effective for SPU in 2010

## Phases of Audit

- Internal control testing
  - Revenue/Cash Receipts
  - Expenses/Disbursements
  - Payroll
  - Work Order System and Utility Plant related systems
  - General IT Controls
- Substantive analytical review
- Substantive tests of details
- Review of Management Discussion & Analysis and Notes to Financial Statements
- Review of significant deficiencies noted in prior year
  - Management estimate accounts

## Areas of Audit Effort

- Cash and investments: Earnings and classification
- Utility plant and related accounts: Work order cycle, CWIP, capitalized interest, depreciation, overhead charges
- Accounts receivable and other receivables
- Bonds and related accounts: Issuances and repayments, interest expense, covenant compliance, arbitrage liability, debt defeasance
- Deferred charges and credits, regulatory accounts
- Accrued liabilities
- Litigation and contingencies
- Operations: Retail and wholesale sales, payroll, operating expenses, capital contributions
- Net asset classification
- General IT controls: Access, security, change management
- MD&A and note disclosure

## Risk Assessment/Fraud Inquiry

- Risk assessment
  - Primary risk areas
    - Revenue recognition
    - Deferred accounts
    - Plant/work orders
    - Management estimate accounts
- Fraud and risk related inquiries
  - Inquiries will be performed throughout SPU departments
  - Discussion on fraud, errors, and potential misstatements

## Any Questions?

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